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IMPLEMENTATION OF THE COMMITMENTS AND POLICIES AGREED UPON IN THE DECLARATION ON INTERNATIONAL ECONOMIC COOPERATION, IN PARTICULAR THE REVITALIZATION OF ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES

Letter dated 18 April 1991 from the Permanent Representatives of Argentina, Brazil, Paraguay and Uruguay to the United Nations addressed to the Secretary-General

We have the honour to transmit herewith the text of the Treaty establishing a common market between the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay, which was signed on 26 March 1991.

We should be grateful if you would have the text of this letter and its annex distributed as a document of the General Assembly under item 90 of the preliminary list.

The attached documents relate to the implementation of paragraph 34 (regional economic integration) of the Declaration on International Economic

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* A/46/50.

Cooperation, in particular the Revitalization of Economic Growth and Development of the Least Developed Countries.

(Signed) Jorge A. VAZQUEZ
Ambassador
Permanent Representative
Argentine Republic

(Signed) Ronaldo M. SARDENBERG
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(Signed) Alfredo CAÑETE
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(Signed) Ramiro PIRIZ-BALLON
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ANNEX

Treaty establishing a common market between the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay

The Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay, hereinafter referred to as the "States Parties",

CONSIDERING that the expansion of their domestic markets, through integration, is a vital prerequisite for accelerating their processes of economic development with social justice,

BELIEVING that this objective must be achieved by making optimum use of available resources, preserving the environment, improving physical links, coordinating macroeconomic policies and ensuring complementarity between the different sectors of the economy, based on the principles of gradualism, flexibility and balance,

BEARING IN MIND international trends, particularly the integration of large economic areas, and the importance of securing their countries a proper place in the international economy,

BELIEVING that this integration process is an appropriate response to such trends,

AWARE that this Treaty must be viewed as a further step in efforts gradually to bring about Latin American integration, in keeping with the objectives of the Montevideo Treaty of 1980,

CONVINCED of the need to promote the scientific and technological development of the States Parties and to modernize their economies in order to expand the supply and improve the quality of available goods and services, with a view to enhancing the living conditions of their populations,

REAFFIRMING their political will to lay the bases for increasingly close ties between their peoples, with a view to achieving the above-mentioned objectives,

HEREBY AGREE AS FOLLOWS:

CHAPTER I

PURPOSES, PRINCIPLES AND INSTRUMENTS

Article 1

The States Parties hereby decide to establish a common market, which shall be in place by 31 December 1994 and shall be called the "common market of the southern cone" (MERCOSUR).

This common market shall involve:

The free movement of goods, services and factors of production between countries through, inter alia, the elimination of customs duties and non-tariff restrictions on the movement of goods, and any other equivalent measures;

The establishment of a common external tariff and the adoption of a common trade policy in relation to third States or groups of States, and the coordination of positions in regional and international economic and commercial forums;

The coordination of macroeconomic and sectoral policies between the States Parties in the areas of foreign trade, agriculture, industry, fiscal and monetary matters, foreign exchange and capital, services, customs, transport and communications and any other areas that may be agreed upon, in order to ensure proper competition between the States Parties;

The commitment by States Parties to harmonize their legislation in the relevant areas in order to strengthen the integration process.

Article 2

The common market shall be based on reciprocity of rights and obligations between the States Parties.

Article 3

During the transition period, which shall last from the entry into force of this Treaty until 31 December 1994, and in order to facilitate the formation of the common market, the States Parties shall adopt general rules of origin, a system for the settlement of disputes and safeguard clauses, as contained in annexes II, III and IV respectively to this Treaty.

Article 4

The States Parties shall ensure equitable trade terms in their relations with third countries. To that end, they shall apply their domestic legislation to restrict imports whose prices are influenced by subsidies, dumping or any other unfair practice. At the same time, States Parties shall coordinate their respective domestic policies with a view to drafting common rules for trade competition.

Article 5

During the transition period, the main instruments for putting in place the common market shall be:

(a) A trade liberalization programme, which shall consist of progressive, linear and automatic tariff reductions accompanied by the elimination of non-tariff restrictions or equivalent measures, as well as any other restrictions on trade between the States Parties, with a view to arriving at a zero tariff and no non-tariff restrictions for the entire tariff area by 31 December 1994 (annex I);

(b) The coordination of macroeconomic policies, which shall be carried out gradually and in parallel with the programmes for the reduction of tariffs and the elimination of non-tariff restrictions referred to in the preceding paragraph;

(c) A common external tariff which encourages the foreign competitiveness of the States Parties;

(d) The adoption of sectoral agreements in order to optimize the use and mobility of factors of production and to achieve efficient scales of operation.

Article 6

The States Parties recognize certain differentials in the rate at which the Republic of Paraguay and the Eastern Republic of Uruguay will make the transition. These differentials are indicated in the trade liberalization programme (annex I).

Article 7

In the area of taxes, charges and other internal duties, products originating in the territory of one State Party shall enjoy, in the other States Parties, the same treatment as domestically produced products.

Article 8

The States Parties undertake to abide by commitments made prior to the date of signing of this Treaty, including agreements signed in the framework of the Latin American Integration Association (ALADI), and to coordinate their positions in any external trade negotiations they may undertake during the transition period. To that end:

(a) They shall avoid affecting the interests of the States Parties in any trade negotiations they may conduct among themselves up to 31 December 1994;

(b) They shall avoid affecting the interests of the other States Parties or the aims of the common market in any agreements they may conclude with other countries members of the Latin American Integration Association during the transition period;

(c) They shall consult among themselves whenever negotiating comprehensive tariff reduction schemes for the formation of free trade areas with other countries members of the Latin American Integration Association;

(d) They shall extend automatically to the other States Parties any advantage, favour, exemption, immunity or privilege granted to a product originating in or destined for third countries which are not members of the Latin American Integration Association.

CHAPTER II

ORGANIZATIONAL STRUCTURE

Article 9

The administration and implementation of this Treaty, and of any specific agreements or decisions adopted during the transition period within the legal framework established thereby, shall be entrusted to the following organs:

(a) The Council of the common market

(b) The Common Market Group

Article 10

The Council shall be the highest organ of the common market, with responsibility for its political leadership and for decision-making to ensure compliance with the objectives and time-limits set for the final establishment of the common market.

Article 11

The Council shall consist of the Ministers for Foreign Affairs and the Ministers of the Economy of the States Parties.

It shall meet whenever its members deem appropriate, and at least once a year with the participation of the Presidents of the States Parties.

Article 12

The presidency of the Council shall rotate among the States Parties, in alphabetical order, for periods of six months.

Meetings of the Council shall be coordinated by the Ministers for Foreign Affairs, and other ministers or ministerial authorities may be invited to participate in them.

Article 13

The Common Market Group shall be the executive organ of the common market and shall be coordinated by the Ministries of Foreign Affairs.

The Common Market Group shall have powers of initiative. Its duties shall be the following:

- to monitor compliance with the Treaty;

- to take the necessary steps to enforce decisions adopted by the Council;

- to propose specific measures for applying the trade liberalization programme, coordinating macroeconomic policies and negotiating agreements with third parties;

- to draw up programmes of work to ensure progress towards the formation of the common market.

The Common Market Group may set up whatever working groups are needed for it to perform its duties. To start with, it shall have the working groups mentioned in annex V.

The Common Market Group shall draw up its own rules of procedure within 60 days of its establishment.

Article 14

The Common Market Group shall consist of four members and four alternates for each country, representing the following public bodies:

- Ministry of Foreign Affairs;

- Ministry of the Economy or its equivalent (areas of industry, foreign trade and/or economic coordination);

- Central Bank.

In drafting and proposing specific measures as part of its work up to 31 December 1994, the Common Market Group may, whenever it deems appropriate, call on representatives of other government agencies or the private sector.

Article 15

The Common Market Group shall have an administrative secretariat whose main functions shall be to keep the Group's documents and report on its activities. It shall be headquartered in the city of Montevideo.

Article 16

During the transition period, decisions of the Council of the common market and the Common Market Group shall be taken by consensus, with all States Parties present.

Article 17

The official languages of the common market shall be Spanish and Portuguese, and the official version of its working documents shall be that drafted in the language of the country in which each meeting takes place.

Article 18

Prior to the establishment of the common market on 31 December 1994, the States Parties shall convene a special meeting to determine the final institutional structure of the administrative organs of the common market, as well as the specific powers of each organ and its decision-making procedures.

CHAPTER III

PERIOD OF APPLICATION

Article 19

This Treaty shall be of unlimited duration and shall enter into force 30 days after the date of deposit of the third instrument of ratification. The instruments of ratification shall be deposited with the Government of the Republic of Paraguay, which shall notify the Governments of the other States Parties of the date of deposit.

The Government of the Republic of Paraguay shall notify the Governments of each of the other States Parties of the date of entry into force of this Treaty.

CHAPTER IV

ACCESSION

Article 20

This Treaty shall be open to accession, through negotiation, by other countries members of the Latin American Integration Association; their applications may be considered by the States Parties once this Treaty has been in force for five years.

Notwithstanding the above, applications made by countries members of the Latin American Integration Association who do not belong to subregional integration schemes or an extraregional association may be considered before the date specified.

Approval of applications shall require the unanimous decision of the States Parties.

CHAPTER V

DENUNCIATION

Article 21

Any State Party wishing to withdraw from this Treaty shall inform the other States Parties of its intention expressly and formally and shall submit the document of denunciation within 60 days to the Ministry of Foreign Affairs of the Republic of Paraguay, which shall distribute it to the other States Parties.

Article 22

Once the denunciation has been formalized, those rights and obligations of the denouncing State deriving from its status as a State Party shall cease, while those relating to the liberalization programme under this Treaty and any other aspects to which the States Parties, together with the denouncing State, may agree within the 60 days following the formalization of the denunciation shall continue. The latter rights and obligations of the denouncing Party shall remain in force for a period of two years from the date of the above-mentioned formalization.

CHAPTER VI

GENERAL PROVISIONS

Article 23

This Treaty shall be called the "Treaty of Asunción".

Article 24

In order to facilitate progress towards the formation of the common market, a Joint Parliamentary Commission of MERCOSUR shall be established. The executive branches of the States Parties shall keep their respective legislative branches informed of the progress of the common market established by this Treaty.

DONE at the city of Asunción, on 26 March 1991, in one original in the Spanish and Portuguese languages, both texts being equally authentic. The Government of the Republic of Paraguay shall be the depositary of this Treaty and shall send a duly authenticated copy thereof to the Governments of signatory and acceding States Parties.

For the Government of the Argentine Republic:

Carlos Saul Meném Guido di Tella

For the Government of the Federative Republic of Brazil:

Fernando Collor Francisco Rezek

For the Government of the Republic of Paraguay:

Andrés Rodríguez Alexis Frutos Vaesken

For the Government of the Eastern Republic of Uruguay:

Luis Alberto Lacalle Herrera Héctor Gros Espiell

ANNEX I

TRADE LIBERALIZATION PROGRAMME

Article 1

The States Parties hereby agree to eliminate, by 31 December 1994 at the latest, any duties, charges and other restrictions applied in their reciprocal trade.

With regard to the schedules of exceptions submitted by the Republic of Paraguay and the Eastern Republic of Uruguay, the period for their elimination shall extend to 31 December 1995, on the terms of article 7 of this annex.

Article 2

For the purposes of the preceding article:

(a) "Duties and charges" shall mean customs duties and any other charges of equivalent effect, whether related to fiscal, monetary, foreign exchange or other matters, levied on foreign trade. This concept does not cover fees and similar charges corresponding to the approximate cost of services rendered; and

(b) "Restrictions" shall mean any administrative, financial, foreign exchange or other measures by which a State Party unilaterally prevents or impedes reciprocal trade. This concept does not cover measures taken in the situations envisaged in article 50 of the Montevideo Treaty of 1980.

Article 3

As of the date of entry into force of the Treaty, the States Parties shall begin a programme of gradual, linear and automatic tariff reductions, which shall benefit products classified according to the tariff nomenclature used by the Latin American Integration Association, observing the following timetable:

DATE/PERCENTAGE TARIFF REDUCTION

30 June 1991	31 Dec. 1991	30 June 1992	31 Dec. 1992	30 June 1993	31 Dec. 1993	30 June 1994	31 Dec. 1994
47	54	61	68	75	82	89	100

Preferences shall apply to the tariff in force at the time of their application and shall consist of a percentage reduction in the most favourable duties and charges applied to imports of products coming from third countries not members of the Latin American Integration Association.

If one of the States Parties increases this tariff for imports from third countries, the established timetable shall continue to apply at the tariff level in force on 1 January 1991.

If tariffs are reduced, the corresponding preference shall apply automatically to the new tariff on the date on which that new tariff enters into force.

For the above purposes, the States Parties shall exchange among themselves and shall transmit to the Latin American Integration Association, within 30 days of the entry into force of the Treaty, updated copies of their customs tariffs and of those in force on 1 January 1991.

Article 4

Preferences agreed to in partial scope agreements concluded by the States Parties among themselves in the framework of the Latin American Integration Association shall be expanded, under the present tariff reduction programme, according to the following timetable:

DATE/PERCENTAGE TARIFF REDUCTION

31 Dec. 1990	30 June 1991	31 Dec. 1991	30 June 1992	31 Dec. 1992	30 June 1993	31 Dec. 1993	30 June 1994	31 Dec. 1994
00 to 40	47	54	61	68	75	82	89	100
41 to 45	52	59	66	73	80	87	94	100
46 to 50	57	64	71	78	85	92	100	
51 to 55	61	67	73	79	86	93	100	
56 to 60	67	74	81	88	95	100		
61 to 65	71	77	83	89	96	100		
66 to 70	75	80	85	90	95	100		
71 to 75	80	85	90	95	100			
76 to 80	85	90	95	100				
81 to 85	89	93	97	100				
86 to 90	95	100						
91 to 95	100							
96 to 100								

These reductions shall apply only in the context of the corresponding partial scope agreements and shall not benefit other members of the common market; nor shall they apply to products included in the respective schedules of exceptions.

Article 5

Without prejudice to the mechanism described in articles 3 and 4, States Parties may also expand preferences by means of negotiations conducted in the framework of the agreements envisaged in the Montevideo Treaty of 1980.

Article 6

The tariff reduction timetable referred to in articles 3 and 4 of this annex shall not apply to products included in the schedules of exceptions submitted by each of the States Parties with the following quantities of ALADI nomenclature items:

Argentine Republic: 394
Federative Republic of Brazil: 324
Republic of Paraguay: 439
Eastern Republic of Uruguay: 960

Article 7

The schedules of exceptions shall be reduced at the end of each calendar year in accordance with the following timetable:

(a) For the Argentine Republic and the Federative Republic of Brazil, by 20 per cent per year of the component items; this reduction applies from 31 December 1990;

(b) For the Republic of Paraguay and the Eastern Republic of Uruguay, the reduction shall be at the following rates:

10 per cent on the date of entry into force of the Treaty
10 per cent on 31 December 1991
20 per cent on 31 December 1992
20 per cent on 31 December 1993
20 per cent on 31 December 1994
20 per cent on 31 December 1995

Article 8

The schedules of exceptions contained in appendices I, II, III and IV include the first reduction envisaged in the preceding article.

Article 9

Products which are removed from schedules of exceptions on the terms set forth in article 7 shall automatically benefit from the preferences resulting from the tariff reduction programme established in article 3 of this annex. They shall benefit, at the least, from the minimum percentage reduction provided on the date on which they are removed from the schedules.

Article 10

States Parties may apply up to 31 December 1994, to products included in the tariff reduction programme, only the non-tariff restrictions expressly mentioned in the notes supplementing the complementarity agreement to be concluded by the States Parties in the framework of the Montevideo Treaty of 1980.

As of 31 December 1994, all non-tariff restrictions shall be eliminated from the common market area.

Article 11

In order to ensure observance of the tariff reduction timetable established in articles 3 and 4, and also the formation of the common market, the States Parties shall coordinate any macroeconomic and sectoral policies which may be agreed upon and to which the Treaty establishing the common market refers, beginning with those connected with trade flows and the composition of the States Parties' productive sectors.

Article 12

The provisions of this annex shall not apply to the partial scope agreements, economic complementarity agreements Nos. 1, 2, 13 and 14 or trade and agricultural agreements signed in the framework of the Montevideo Treaty of 1980, such agreements being governed exclusively by their own provisions.

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(Signed) Bernardino H. Saguier Caballero
Under-Secretary for Foreign Affairs

ANNEX II

GENERAL RULES OF ORIGIN

CHAPTER I

General rules for classification of origin

Article 1

The following shall be classified as originating in the States Parties:

(a) Products manufactured wholly in the territory of any of the Parties, when only materials originating in the States Parties are used in their manufacture;

(b) Products included in the chapters or headings of the tariff nomenclature of the Latin American Integration Association referred to in annex 1 of resolution 78 of the Committee of Representatives of that Association, simply by virtue of the fact that they are produced in their respective territories.

The following shall be classified as produced in the territory of a State Party:

(i) Mineral, plant and animal products, including hunting and fishing products, extracted, harvested or gathered born and raised in its territory or in its territorial waters or exclusive economic zone;

(ii) Marine products extracted outside its territorial waters and exclusive economic zone by vessels flying its flag or leased by companies established in its territory; and

(iii) Products resulting from operations or processes carried out in its territory by which they acquire the final form in which they will be marketed, except when such processes or operations simply involve assembly, packaging, division into lots or volumes, selection and classification, marking, the putting together of assortments of goods or other equivalent operations or processes;

(c) Products in whose manufacture materials not originating in the States Parties are used, when such products are changed by a process carried out in the territory of one of the States Parties which results in their reclassification in the tariff nomenclature of the Latin American Integration Association under a heading different from that of such materials, except in cases where the States Parties determine that the requirement of article 2 of this annex must also be met.

However, products resulting from operations or processes carried out in the territory of a State Party, by which they acquire the final form in which they will be marketed, shall not be classified as originating in the States Parties when such operations or processes use only materials or inputs not originating in their respective countries and simply involve assembly, division into lots or volumes, selection, classification, marking, the putting together of assortments of goods or other similar operations or processes;

(d) Until 31 December 1994, products resulting from assembly operations carried out in the territory of a State Party using materials originating in the States Parties and third countries, when the value of those materials is not less than 40 per cent of the f.o.b. export value of the final product; and

(e) Products which, in addition to being produced in their territory, meet the specific requirements established in annex 2 of resolution 78 of the Committee of Representatives of the Latin American Integration Association.

Article 2

In cases where the requirement of article 1 (c) cannot be met because the process carried out does not involve a change in nomenclature heading, it shall suffice that the c.i.f. value of the third country materials at the port of destination or the maritime port does not exceed 50 per cent of the f.o.b. export value of the goods in question.

In considering materials originating in third countries for States Parties with no outlet to the sea, warehouses and free zones granted by the other States Parties when the materials arrive by sea shall be treated as the port of destination.

Article 3

The States Parties may establish, by mutual consent, specific requirements of origin which shall prevail over general classification criteria.

Article 4

In determining the specific requirements of origin referred to in article 3 and in reviewing those already established, State Parties shall take the following elements, individually or jointly, as a basis:

I. Materials and other inputs used in production:

(a) Raw materials:

(i) Preponderant raw material or that which essentially characterizes the product; and

(ii) Main raw materials.

(b) Parts or components:

(i) Part or component which essentially characterizes the product;

(ii) Main parts or components; and

(iii) Percentage of parts or components in relation to total weight.

(c) Other inputs.

II. Type of processing used.

III. Maximum proportion of the value of materials imported from third countries in relation to the total value of the product arrived at using the valuation procedure agreed to in each case.

Article 5

In exceptional cases, where specific requirements cannot be met because of circumstantial supply problems: availability, technical specifications, delivery date and price, taking into account the provisions of article 4 of the Treaty, materials not originating in the States Parties may be used.

In the situation envisaged in the preceding paragraph, the exporting country shall issue the corresponding certificate informing the importing State Party and the Common Market Group, together with any background information and evidence justifying the issue of that document.

If such cases occur repeatedly, the exporting State Party or the importing State Party shall inform the Common Market Group of the situation so that the specific requirement can be reviewed.

This article does not cover products resulting from assembly operations and shall apply pending the entry into force of the common external tariff for products subject to specific requirements of origin and their materials or inputs.

Article 6

Any State Party may request that requirements of origin established pursuant to article 1 above be reviewed. Such requests shall propose and justify the requirements applicable to the product or products in question.

Article 7

For the purpose of meeting requirements of origin, materials and other inputs originating in the territory of any State Party and used by a State Party in the manufacture of a given product shall be classified as originating in the territory of this latter State Party.

Article 8

The criterion of maximum use of materials or other inputs originating in States Parties may not be taken into account in establishing requirements which involve the imposition of materials or other inputs of those States Parties when, in their view, such materials or inputs do not meet adequate supply, quality or price standards or are not adapted to the industrial processes or technologies used.

Article 9

In order for originating goods to benefit from preferential treatment, they must have been shipped directly from the exporting country to the importing country. For these purposes, the following shall be deemed direct shipment:

(a) Goods not shipped through the territory of a country that is not a party to the Treaty;

(b) Goods shipped in transit through one or more countries that are not parties to the Treaty, with or without transshipment or temporary storage, under the supervision of the competent customs authority in such countries, provided that:

(i) Transit is justified by geographical reasons or transport considerations;

(ii) The goods are not intended for trade or use in the country of transit; and

(iii) The goods are not subjected, during shipment and storage, to any operation other than loading, unloading or handling to keep them in good condition or ensure their conservation.

Article 10

For the purposes of these general rules, it shall be understood that:

(a) Products coming from free zones located within the geographical boundaries of any of the States Parties shall meet the requirements envisaged in these general rules;

(b) The term "materials" shall include raw materials, intermediate products and parts and components used in the manufacture of goods.

CHAPTER II

Declaration, certification and verification

Article 11

In order for imports of products originating in the States Parties to benefit from the reductions in duties, charges and restrictions they have granted each other, the export documentation for such products must include a declaration certifying that they meet the requirements of origin established in accordance with the preceding chapter.

Article 12

The declaration referred to in the preceding article shall be issued by the final producer or the exporter of the goods and certified by an official department or professional association with legal personality, authorized by the Government of the exporting State Party.

In authorizing professional associations, States Parties shall make sure that they are organizations which have national jurisdiction and can delegate authority to regional or local associations while remaining directly responsible for the veracity of the certifications issued.

The States Parties undertake to establish, within a period of 90 days from the entry into force of the Treaty, a harmonized regime of administrative penalties for cases of false certification, without prejudice to the corresponding criminal proceedings.

Article 13

Certificates of origin issued for the purposes of this Treaty shall be valid for 180 days from the date of their issue.

Article 14

In all cases, the standard form annexed to agreement No. 25 of the Committee of Representatives of the Latin American Integration Association shall be used until such time as another form approved by the States Parties comes into effect.

Article 15

States Parties shall transmit to the Latin American Integration Association the list of official departments and professional associations authorized to issue the certification referred to in the preceding article, with a record and exact copy of the authorized signatures.

Article 16

If a State Party considers that the certificates issued by an official department or professional association authorized by another State Party are not in compliance with the provisions of these general rules, it shall inform that State Party accordingly so that the latter can take whatever steps it deems necessary to solve the problems that have arisen.

In no case may the importing country hold up import procedures for products covered by the certificates referred to in the preceding paragraph. It may, however, in addition to requesting the corresponding additional information from the governmental authorities of the exporting country, take whatever measures it deems necessary to safeguard fiscal interests.

Article 17

For the purposes of subsequent verification, copies of certificates and the corresponding documents shall be kept for two years from the date of their issue.

Article 18

The provisions of these general rules and any amendments thereto shall not affect goods already loaded for shipment on the date of their adoption.

Article 19

The provisions of this annex shall not apply to the partial scope agreements, economic complementarity agreements Nos. 1, 2, 13 and 14 or trade and agricultural agreements signed in the framework of the Montevideo Treaty of 1980, such agreements being governed exclusively by their own provisions.

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(Signed) Bernardino H. Saguier Caballero
Under-Secretary for Foreign Affairs

ANNEX III

SETTLEMENT OF DISPUTES

1. Any disputes arising between the States Parties as a result of the application of the Treaty shall be settled by means of direct negotiations.

If no solution can be found, the States Parties shall refer the dispute to the Common Market Group which, after evaluating the situation, shall within a period of 60 days make the relevant recommendations to the Parties for settling the dispute. To that end, the Common Market Group may establish or convene panels of experts or groups of specialists in order to obtain the necessary technical advice.

If the Common Market Group also fails to find a solution, the dispute shall be referred to the Council of the common market to adopt the relevant recommendations.

2. Within 120 days of the entry into force of the Treaty, the Common Market Group shall propose to the Governments of States Parties a system for the settlement of disputes which shall apply during the transition period.

3. Before 31 December 1994, the States Parties shall adopt a permanent disputes settlement system for the common market.

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(Signed) Bernardino H. Saguier Caballero
Under-Secretary for Foreign Affairs

ANNEX IV

SAFEGUARD CLAUSES

Article 1

Each State Party may, up to 31 December 1994, apply safeguard clauses to imports of products benefiting from the trade liberalization programme established under the Treaty.

The States Parties hereby agree that they shall use these rules only in exceptional cases.

Article 2

If imports of a given product damage or threaten serious damage to its market as a result of a significant increase in imports of that product from the other States Parties over a short period of time, the importing country shall request the Common Market Group to hold consultations with a view to ending such a situation.

The importing country shall accompany its request with a detailed statement of the supporting facts, reasons and justifications.

The Common Market Group shall begin consultations within a maximum of 10 calendar days from the submission of the request by the importing country and shall conclude them, having taken a decision thereon, within 20 calendar days from the start of consultations.

Article 3

The existence or otherwise of damage or the threat of serious damage within the meaning of these rules shall be determined by each country, taking into account trends, inter alia, in the following aspects related to the product in question.

(a) Production level and capacity used;

(b) Employment level;

(c) Share of the market;

(d) Level of trade between the parties concerned or participating in the consultations;

(e) Performance of imports and exports in relation to third countries.

None of the above-mentioned factors shall, on its own, be decisive for determining the existence of damage or the threat of serious damage.

In determining the existence of damage or the threat of serious damage, factors such as technological changes or shifts in consumer preferences towards similar and/or directly competitive products in the same sector shall not be taken into account.

Application of the safeguard clause shall be subject, in each country, to the final approval of the national section of the Common Market Group.

Article 4

In order not to interrupt any trade flows which may have been generated, the importing country shall negotiate a quota for imports of the product in respect of which the safeguard clause has been invoked. This quota shall be governed by the same preferences and other conditions established in the trade liberalization programme.

The above-mentioned quota shall be negotiated with the State Party in which the imports originate, during the period of consultation referred to in article 2. If the period of consultation ends without an agreement being reached, the importing country which considers itself affected may fix a quota which shall be maintained for one year.

In no event may a quota fixed unilaterally by the importing country be less than the average physical volume imported in the last three calendar years.

Article 5

Safeguard clauses shall apply for a year and may be extended for a further consecutive year on the terms established in this annex. Such measures may be adopted only once for each product.

In no event may the application of safeguard clauses extend beyond 31 December 1994.

Article 6

The application of safeguard clauses shall not affect goods already loaded for shipment on the date of their adoption. Such goods shall be computed into the quota provided for in article 4.

Article 7

During the transition period, any State Party which considers itself affected by serious difficulties in its economic activities shall request the Common Market Group to hold consultations so that the necessary corrective measures can be taken.

Within the periods established in article 2 of this annex, the Common Market Group shall evaluate the situation and decide on the measures to be taken, according to the circumstances.

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(Signed) Bernardino H. Saguier Caballero
Under-Secretary for Foreign Affairs

ANNEX V

WORKING GROUPS OF THE COMMON MARKET GROUP

For the purposes of coordinating macroeconomic and sectoral policies, the Common Market Group shall establish, within 30 days of its formation, the following working groups:

Subgroup 1: Commercial issues

Subgroup 2: Customs issues

Subgroup 3: Technical standards

Subgroup 4: Fiscal and monetary policies relating to trade

Subgroup 5: Inland transport

Subgroup 6: Maritime transport

Subgroup 7: Industrial and technological policy

Subgroup 8: Agricultural policy

Subgroup 9: Energy policy

Subgroup 10: Coordination of macroeconomic policies

THIS IS A TRUE COPY OF THE ORIGINAL WHICH IS IN THE POSSESSION OF THE TREATY DEPARTMENT OF THE MINISTRY OF FOREIGN AFFAIRS.

(Signed) Bernardino H. Saguier Caballero
Under-Secretary for Foreign Affairs

DECLARATION NO. 1 OF THE FOREIGN MINISTERS OF THE MERCOSUR COUNTRIES

1. The Foreign Ministers of the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay, meeting at Asunción on the occasion of the signing of the Treaty establishing the common market of the southern cone (MERCOSUR), emphasize the importance of the Treaty for achieving the objectives set forth in the Montevideo Treaty of 1980, within whose scope it falls.

2. In this context, the Foreign Ministers of the countries members of MERCOSUR are convinced that the prospects offered by the consolidation of subregional groupings facilitate the development of economic ties and the integration of the region as a whole.

3. They reiterate their readiness to maintain and expand agreements concluded in the framework of the Latin American Integration Association. They will also consider, with the utmost interest, future applications to accede to the Treaty, in accordance with the rules established therein.

4. The Foreign Ministers of the MERCOSUR countries also reiterate their Governments' political determination that the instrument they are now signing should contribute to increased trade flows and to securing their economies a competitive place on the international market.

Asunción, 26 March 1991

DECLARATION NO. 2 OF THE FOREIGN MINISTERS OF THE MERCOSUR COUNTRIES

The Foreign Ministers of the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay, meeting at Asunción on the occasion of the signing of the Treaty establishing the common market of the southern cone (MERCOSUR).

Considering and sharing the interest shown by the Republic of Bolivia in joining in efforts to establish the common market of the southern cone,

Considering the close economic ties that exist between the five countries in the context of the Latin American Integration Association, the River Plate Basin and such integration projects as the Paraguay-Paraná (Puerto Cáceres-Nueva Palmira) waterway,

Hereby express their interest in exploring jointly with the Government of Bolivia the various approaches and alternatives that exist for formalizing its ties with MERCOSUR in due course, in accordance with the rules established in the Treaty of Asunción.

Asunción, 26 March 1991

DECLARATION NO. 3 OF THE FOREIGN MINISTERS OF THE MERCOSUR COUNTRIES

The Foreign Ministers of the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay, meeting at Asunción on the occasion of the signing of the Treaty establishing the common market of the southern cone (MERCOSUR), considering the message sent by the President of the Republic of Chile, Mr. Patricio Alwyn, express their profound gratitude for the views set forth therein, which are an important display of support for the integration process being launched today.

The four Foreign Ministers share the views expressed by the President of the Republic of Chile concerning the historic importance of this Treaty for Latin American integration and warmly welcome the determination of the Chilean Government to strengthen its ties with the countries members of the common market of the southern cone.

Asunción, 26 March 1991